

## Message Text

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ORIGIN ARA-14

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TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 209859

E.O. 11652: GDS

TAGS: PINT, PORG, MASS, EFIN

SUBJECT: AMBASSADOR GARCIA BEDOYA'S CALL ON  
ASSISTANT SECRETARY VAKY

1. SUMMARY: AMBASSADOR GARCIA BEDOYA CALLED ON  
ASSISTANT SECRETARY VAKY AUGUST 15, 1978, TO DISCUSS  
A WIDE RANGE OF CURRENT ISSUES. HE APPEALED FOR FIRM  
USG SUPPORT TO PERU IN THE COMING MONTHS. END SUMMARY.

2. AMBASSADOR GARCIA BEDOYA PAID A COURTESY CALL ON  
AMBASSADOR VAKY AUGUST 15, AND DISCUSSED A WIDE RANGE  
OF CURRENT ISSUES.- THE FAILURE OF AND THE NEED TO  
CHANGE THE PREVIOUS ECONOMIC TEAM, COMBINED WITH THE  
EMOTIONAL ELECTORAL CAMPAIGN FOR THE CONSTITUENT  
ASSEMBLY, HAD CAUSED THE GOP SERIOUS CONCERN A FEW  
MONTHS AGO. SINCE THEN, THE ELECTIONS HAVE TAKEN PLACE  
SUCCESSFULLY AND THE NEW ECONOMIC TEAM IS IN PLACE.  
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DESPITE A FEW EXILES, THE ELECTIONS THEMSELVES WERE NOT  
AFFECTED. THE ASSEMBLY IS SUPPOSED TO BE IN SESSION  
FOR ONE YEAR, BUT BOTH ASSEMBLY LEADERS AND THE  
GOVERNMENT HOPE THIS PERIOD CAN BE SHORTENED.

3. POLITICAL AND ECONOMIC RECOVERY: AMBASSADOR VAKY

INQUIRED OF THE ECONOMY. GARCIA BEDOYA SAID THE ECONOMIC DIFFICULTIES ARE THE PRODUCT OF MANY YEARS, AND IT WOULD TAKE SOME TIME TO OVERCOME THEM. BUT THE ANNOUNCED DISMISSAL OF 30,000 CIVIL SERVANTS WAS EVIDENCE OF THE GOVERNMENT'S SERIOUSNESS. GARCIA BEDOYA ADDED THAT WHILE SUCH MEASURES WOULD CREATE SOCIAL PRESSURES, MORALES BERMUDEZ HAS GREAT CONTROL OVER THE ARMED FORCES AND CAN CONTAIN THESE PRESSURES. HE SAID THE DE FACTO GOVERNMENT AND THE CONSTITUENT ASSEMBLY HAD TO MAINTAIN A DELICATE BALANCE IN THIS INTERIM PERIOD, BUT THAT MORALES BERMUDEZ AND HAYA DE LA TORRE WERE COOPERATING TO THIS END.

4. IMF STANDBY: GARCIA BEDOYA SAID THE EXHAUSTING NEGOTIATIONS WITH THE IMF HAD TESTED THE GOVERNMENT'S POLITICAL AND ANALYTICAL RESILIENCE, BUT HE NOW EXPECTS THE IMF STANDBY TO ENTER INTO EFFECT SEPTEMBER 15, THE DATE WHEN THE IMF SHOULD RELEASE THE FIRST FUNDS UNDER THE LOAN.

5. DEBT RESCHEDULING: GARCIA BEDOYA STATED THAT DEBT RESCHEDULING WAS OF FUNDAMENTAL IMPORTANCE TO PERU. HE THANKED AMBASSADOR VAKY FOR THE DISCREET ASSISTANCE OF THE USG IN PERSUADING THE IMF TO BE MORE FLEXIBLE WITH PERU. HE SAID NOW IS THE MOMENT

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OF THE FINAL OBSTACLE (EL SALTO FERAL); THE NEXT FEW MONTHS ARE THE CRITICAL TIME FOR US TO SHOW FIRM SUPPORT FOR PERU. AMBASSADOR VAKY REPLIED THAT THE ADMINISTRATION WAS EXTREMELY INTERESTED IN WORKING WITH LATIN AMERICA, BUT VARIOUS FACTORS LIMITED ITS ABILITY TO DO AS MUCH AS IT WOULD PREFER. GARCIA BEDOYA UNDERSTOOD, BUT NEVERTHELESS COMMENTED THAT THE

CARTER ADMINISTRATION HAS SHOWN MUCH MORE WILL TO UNDERSTAND LATIN AMERICA AND ITS NEEDS THAN HAD ITS PREDECESSORS.

6. ANDEAN PACT: GARCIA BEDOYA SAID THAT THE US HAD BEEN SLOW TO SUPPORT THE ANDEAN PACT. AMBASSADOR VAKY REPLIED THAT THE PRESIDENT HAS EXPRESSED US SUPPORT FOR THE ANDEAN PACT AND WE HOPED THAT US BUSINESS WOULD FOLLOW SUIT. GARCIA BEDOYA THEN SAID THAT MEMBER COUNTRIES HAVE OVERCOME MUCH OF THEIR MUTUAL SUSPICIONS AND HAVE ACHIEVED SOLID PROGRESS, THUS MERITING US SUPPORT FOR THEIR EFFORTS.

7. ARMS LIMITATIONS: AMBASSADORS VAKY AND GARCIA

BEDOYA THEN DISCUSSED THE DECLARATION OF AYACUCHO AND THE VENEZUELAN AND MEXICAN INITIATIVES FOR THE CONTROL OF ARMS IN THE REGION. AMBASSADOR VAKY NOTED THAT THESE INITIATIVES WERE IMPORTANT BUT THAT THEY WERE A SLOW PROCESS. GARCIA BEDOYA CONCURRED, AND SAID IT WAS IMPORTANT THAT THE INITIATIVES BE CARRIED OUT IN A WAY WHICH WOULD NOT FRIGHTEN (ASUSTAR) ANY OF THE COUNTRIES CONCERNED. BUT, HE STATED, THE CONTROL OF MILITARY EXPENDITURES WAS FUNDAMENTAL AND INDISPENSABLE FOR THE WELFARE OF THE REGION.

8. FMS: AMBASSADOR VAKY NOTED THAT PERU HAD STILL NOT SPENT SEVERAL MILLIONS OF ITS FY 1976-77 FMS ALLOCATIONS. GARCIA BEDOYA AGREED THAT PERU OUGHT TO  
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EXPEDITE ITS USAGE OF THESE FUNDS. PERU HAD ORIGINALLY PLANNED TO USE THEM FOR CERTAIN PURPOSES, BUT WAS NOW IN THE PROCESS OF CONSIDERING OTHER TYPES OF EQUIPMENT FOR WHICH IT MIGHT USE THE FUNDS. RE FY 1979 FMS, GARCIA BEDOYA SAID THE \$6 MILLION FIGURE WAS NOT LARGE, BUT QUANTITY WAS LESS IMPORTANT THAN NEED TO MAINTAIN CONTACTS BETWEEN THE US AND PERUVIAN MILITARY.

9. BELGRADE MEETING OF NON-ALIGNED MOVEMENT: GARCIA BEDOYA NOTED THAT THE PERUVIAN INITIATIVE AT BELGRADE FOR LIMITATION OF MILITARY SPENDING BASED ON THE DECLARATION OF AYACUCHO HAD BEEN ADOPTED IN THE FINAL COMMUNIQUE OF THE CONFERENCE. HE SAID THAT AT BELGRADE CUBA HAD RECEIVED A WARNING (UNA LLAMADA DE ATENCION SERIA), AND THAT OTHER COUNTRIES HAD STAKED OUT FOR CUBA, IN A SENSE, THE BOUNDARIES OF PERMISSIBLE CONDUCT. VANCE

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